

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



FISCAL NOTE

HB 1712 – SB 1543

March 7, 2011

SUMMARY OF BILL: Extends the mandatory retirement and associated supplemental bridge benefit and unreduced early retirement benefit provision to bomb and arson special agents.

ESTIMATED FISCAL IMPACT:

Increase State Expenditures - \$28,500

Increase Federal Expenditures - \$9,500

Other Fiscal Impact – The total additional lump sum liability to the Tennessee Consolidated Retirement System is estimated to be \$386,800.

Assumptions:

- According to the Tennessee Consolidated Retirement System (TCRS), a total of 28 members with an average salary of \$43,600 would be affected by provisions of the bill.
- These 28 members are state employees.
- According to TCRS, retirement benefits for retired state employees are funded 75 percent with state funds and 25 percent with federal funds.
- Under this bill, bomb and arson special agents will be authorized to continue participation in TCRS until they have attained 30 years of service (instead of 25 years of service) or 60 years of age (instead of 55 years of age). Authorizing extended benefits to these 28 members will increase the total lump sum liability of TCRS.
- According to TCRS, this bill will increase the total lump sum liability by \$386,800.
- Pursuant to Tenn. Code Ann. § 3-9-103(b), TCRS utilizes a 20-year horizon for estimating the increased annual liability to the TCRS.
- Pursuant to Tenn. Code Ann. § 8-34-505, TCRS utilizes a 7.5 percent interest rate for estimating the increased annual liability to the TCRS.
- Assuming a 20-year horizon, a 7.5 percent interest rate, and an increased total lump sum liability of \$386,800, the increased annual liability of the TCRS is estimated to be \$37,942.
- The recurring increase in state expenditures will be \$28,457 (\$37,942 x 75%).
- The recurring increase in federal expenditures will be \$9,485 (\$37,942 x 25%).

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CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in blue ink, appearing to read "James W. White". The signature is fluid and cursive, with a large initial "J" and "W".

James W. White, Executive Director

/rnc